

## ***Quarterly Report Summary***

***October 1, 2007 to December 31, 2007***

### ***The Commonwealth Needs Strengthen Control of IT Costs***

The Commonwealth's information technology (IT) governance has undergone significant changes in the last five years. These changes have highlighted some flaws with systems development and shown that the Commonwealth could further improve the management of its information technology resources over the \$219 million used by agencies to pay for staff salaries, consultants, and other costs related to the maintenance and operations of agency-based systems. (pages 1 to 2)

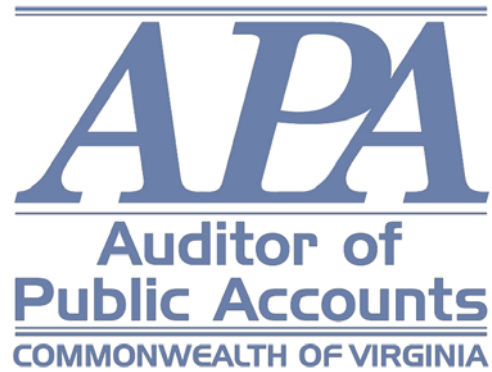
### ***Opportunities Continue to Exist on Improving Fleet Management***

The Commonwealth of Virginia owns over 20,000 passenger and non-passenger-type vehicles, which is an investment of over \$444 million, and spends on average \$120 million each fiscal year on vehicle-related expenses. The Office of Fleet Management Services at the Department of General Services did not adequately address issues noted in the "Review of the State's Passenger Vehicle Fleet" issued by the Joint Legislative Audit and Review Commission in 2004. In addition, most agencies that we reviewed during this study had not addressed some of the issues cited in the "Statewide Review of Agency-Owned Vehicles" audit report issued by the Auditor of Public Accounts in 2004. (page 2)

### ***Other Item***

We have included our Special Review of the City of Norfolk's Department of Human Services, Virginia Department of Social Services and Norfolk State University. (pages 3 to 4)

We will be happy to provide you, any reports in their entirety or you can find all reports listed in this document at our website <http://www.apa.state.va.us/reports.htm>. We welcome any comments concerning this report or its contents.



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## ***Information Technology Governance***

December 2007

The Commonwealth's information technology (IT) governance has undergone significant changes in the last five years. These changes have fundamentally altered and strengthened the Commonwealth's infrastructure and new systems development process. At the same time, these changes have highlighted some flaws with systems development and shown that the Commonwealth could further improve the management of its information technology resources.

The Commonwealth, excluding institutions of higher education, spends approximately \$607 million annually on IT, and of this amount, about 64 percent relates to infrastructure and new systems development. The remaining amount, about \$219 million, is used by agencies to pay for staff salaries, consultants, and other costs related to the maintenance and operations of agency-based systems.

### **Who Has Control?**

One of the most difficult challenges with understanding the Commonwealth's IT governance is answering the question, "Who has control?" Regrettably, there is no simple answer to this question because no one has the authority to exercise control over all areas where agencies spend on IT. The Virginia Information Technologies Agency (VITA) controls the infrastructure, the Chief Information Officer (CIO) and the Information Technology Investment Board (Board) control new systems development recommendations and oversight, and the individual agencies control their maintenance and operations of legacy applications.

Other issues further complicate the question such as different groups influencing the budget process, agency responsibility being unclear, and resources not existing to do the job properly. As an example, the CIO's responsibilities far exceed those of VITA, which as an agency, has responsibility for infrastructure and purchasing. The CIO's responsibilities include project management oversight, standard setting, and budget resource recommendations that go beyond VITA's core infrastructure mission and available resources.

However, because the CIO is also the agency head of VITA, many assume that the CIO's Commonwealth-wide responsibilities for oversight, standard setting, and IT budget reviews should be funded using a rate structure model similar to how agencies pay VITA for providing the infrastructure. Additionally, while the CIO and Board must develop and report on agency IT strategic plans, neither has the ability to influence the process since the Governor controls the budget process independently, and the process currently emphasizes a biennial budget approach rather than long-term system planning approach.

While the Commonwealth has partnered with Northrup Grumman (NG) to consolidate its infrastructure, telecommunications, and other hardware related operations, the CIO's other duties have not diminished. However, his ability to perform these other duties is limited because agencies retain significant budgets for maintenance and operations of existing systems and only the agencies have information on how they will use their budgets and whether opportunities exist to improve the Commonwealth's effective use of these funds. This approach places the Commonwealth at risk since many of the smaller agencies have neither the expertise nor the funding to maintain and properly operate systems.

### **The Answer to "Who Has Control?"**

Ultimately, the answer to the question, "who has control?" is nobody. Everyone has some small piece of control with no one determining direction or overseeing spending. The Commonwealth has left these responsibilities divided among many entities at many levels with no one entity having control or authority to make decisions.

## **Effects of Lack of Control**

IT operations within the Commonwealth are complex, and management and oversight responsibilities for these operations are fragmented and diffused. The Commonwealth has always approached its IT management and oversight this way. The consolidation of IT operations has historically involved consolidating the existing infrastructure but not system applications or security.

No one determines if agency spending on maintenance and operations of legacy systems constitutes an efficient use of resources and minimizes the use of funds for duplicative systems. Individual agency needs and not the Commonwealth's priorities receive funding, and there is no incentive to cooperate and share resources among state agencies.

## ***Follow-up Statewide Review of Agency-Owned Vehicles***

October 2007

The Commonwealth of Virginia owns over 20,000 passenger and non-passenger-type vehicles. At an average cost of \$22,224, this is an investment of over \$444 million. The Commonwealth spends on average \$120 million each fiscal year on vehicle-related expenses such as buying vehicles, providing gas and maintenance for the vehicles, and paying personal reimbursement for state employees driving their own vehicles for business-related travel.

The Office of Fleet Management Services (OFMS) at the Department of General Services did not adequately address issues noted in the "Review of the State's Passenger Vehicle Fleet" issued by the Joint Legislative Audit and Review Commission in 2004. In addition, most agencies that we reviewed during this study had not addressed some of the issues cited in the "Statewide Review of Agency-Owned Vehicles" audit report issued by the Auditor of Public Accounts in 2004.

OFMS does not have a business plan outlining their goals for the future. A business plan is a document that summarizes the business' objectives and contains detailed plans and budgets showing how the entity will realize these objectives. The business plan should help a business look ahead, allocate resources, focus on key points, and prepare for problems and opportunities. Not having a business plan has hindered OFMS from moving forward in establishing a well-managed, cost effective fleet as *Executive Order 89* required. To date OFMS has implemented various initiatives such as the Vehicle Management Control Center (VMCC) maintenance service center, the FASTER system, and Enterprise Rent-A-Car rental program. However, these implementations are not part of an overall plan to get OFMS to any specific goal or on any specific timeline. With a business plan, OFMS would have goals and a timeline for implementation of the components that they need to get the Commonwealth's fleet where it can be the most cost effective.

To improve overall fleet management, this report includes recommendations to amend the Commonwealth's overall vehicle policies and procedures and change existing central processes.

We also recommended various changes in internal controls, policies, and procedures for the following agencies.

- Department of Motor Vehicles
- Department of Corrections
- Department of State Police
- Department of Game and Inland Fisheries
- Department of Forestry

***Special Review City of Norfolk's Department of Human Services, Virginia Department of Social Services and Norfolk State University***

November 2007

On June 18, 2007, the Department of Social Services (Social Services) contacted the Auditor of Public Accounts concerning some unusual requests for reimbursement by the City of Norfolk's (City) local social service agency, the Department of Human Services (Human Services). Social Services reported this matter to the Auditor of Public Accounts in accordance with Section 30-138 of the Code of Virginia and their preliminary assessment indicated that the transactions involved Social Services, Norfolk State University (University), and Human Services.

From our limited review we were unable to determine if there is a direct relationship between Human Services' reimbursement requests to Social Services and the City of Norfolk's accounting records. We believe that there is a significant risk that Human Services may have requested reimbursement in error from Social Services.

This report summarizes the work we performed and our observations. The scope of the work included interviews with various personnel and review of source documentation and other information. We conducted this examination in three phases.

In the first phase, we reviewed the information gathered by Social Services' Internal Audit staff during their review of Human Services. The second phase included a limited review of Human Services' reporting of reimbursement requests to Social Services and the adequacy of the accounting systems and records to support these reimbursement claims. The final phase was a review of a contract between the University and Human Services.

Based on our work, we have the following general observations and conclusions.

1. We could not confirm that the accounting system and supporting documentation directly supported Human Services' reimbursement requests to Social Services for most of the amounts for fiscal year 2007.

Social Services should require Human Services to reconcile their accounting system and detailed records to each request for reimbursement and make any appropriate adjustments.

2. City management, outside of Human Services, was unaware of the scope of the contract with the University. Additionally, City management did not know of the University subcontractor's involvement in the procurement method or the scope of their work.

City management should institute a review of all outside contracts directly entered into without the use of the City's purchasing office, especially any others within Human Services.

3. The Code of Virginia authorizes the Commissioner of Social Services to determine the appropriate and reasonable amount of reimbursement for such items as rent and other variable costs. There is no central record or documentation of any of these determinations.

Social Services should document the Commissioner's determination of the appropriate and reasonable amount of reimbursement for such items as rent and other variable costs.

4. Social Services does not have a formal, documented, or systematic method of reviewing reimbursement requests and monitoring local social service agency financial activity. Social Services has an informal process to review and monitor local social service agency financial activity, which resulted in the discovery of the issues in this report.

Social Services should formalize its review and monitoring activities and document what authority the staff have to take appropriate actions if the activity appears inappropriate or excessive.

5. The University's Department of Social Work negotiated and oversaw the contract between the University and Human Services outside of all the University's normal internal control systems. On several occasions senior managers approved actions to bypass normal University processes.

The President and Board of Visitors should re-enforce and emphasize to University staff and management that no contracts are valid and binding on the University if done outside of the University's normal procurement process.

In addition to the major findings above, we have other matters which we believe each party should address and we include them in the body of the report.

## **SUMMARY OF REPORTS ISSUED**

The following reports on audit were released by this Office during the period October 1, 2007, to December 31, 2007. Those reports which included findings in the area of internal controls or compliance are indicated by an (\*) asterisk.

### **State Agencies and Institutions**

Division of Selected Agency Support Service for the year ended June 30, 2007  
Virginia Biotechnology Research Partnership Authority for the year ended June 30, 2007  
Virginia Commercial Space Flight Authority for the year ended June 30, 2007

### **Independent Agencies**

Virginia College Savings Plan for the year ended June 30, 2007\*  
Virginia Retirement System for the year ended June 30, 2007

### **Executive Departments**

Office of the Attorney General and the Department of Law and the Division of Debt  
Collection for the year ended June 30, 2007\*  
Office of the Governor for the year ended June 30, 2007  
Office of the Lieutenant Governor for the year ended June 30, 2007  
The Governor's Cabinet Secretaries for the year ended June 30, 2007

### **Commerce and Trade**

Tobacco Indemnification and Community Revitalization Commission Financial Statements  
for the year ended June 30, 2007  
Virginia Economic Development Partnership for the year ended June 30, 2007  
Virginia Racing Commission for the year ended June 30, 2007\*

### **Education**

Department of Education Including Direct Aid to Public Education and Virginia Schools for  
Deaf and Blind\*

### **Colleges and Universities**

Virginia Commonwealth University for the year ended June 30, 2007\*  
Virginia Polytechnic Institute & State University for the year ended June 30, 2007  
University of Virginia for the year ended June 30, 2007\*  
University of Virginia Medical Center for the year ended June 30, 2007  
University of Virginia President's Report, 2006-2007 (Report may be viewed at:  
[http://www.apa.virginia.gov/data/download/reports/audit\\_local/uvafinancial07.pdf](http://www.apa.virginia.gov/data/download/reports/audit_local/uvafinancial07.pdf) )

## **Finance**

Financial Statement Opinion on A Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007

## **Health and Human Resources**

Office of Comprehensive Services for At-Risk Youth and Families for the year ended June 30, 2007

## **Public Safety**

Department of Alcoholic Beverage Control for the year ended June 30, 2007\*

Department of State Police for the period January 1, 2006 through June 30, 2007\*

## **Technology**

The Innovative Technology Authority Including Its Blended Component Unit Center for Innovative Technology for the year ended June 30, 2007

## **Transportation**

Virginia Port Authority for the year ended June 30, 2007

## **Special Reports**

Federal Land Payments for the period October 1, 2006 through September 30, 2007

General Assembly and Legislative Agencies and Commissions of the Commonwealth of Virginia, Financial Report, for the year ended June 30, 2007

Information Technology Governance, December 2007\*

Quarterly Report Summary to the Joint Legislative Audit and Review Commission – July 1, 2007 through September 30, 2007

Report on the City of Norfolk's Department of Human Services, November 2007\*

Statewide Review of Fleet Management, October 2007\*

Virginia Circuit Courts Report on Audits during the period July 1, 2006 through June 30, 2007\*

Revenue Stabilization Fund Calculations for the year ended June 30, 2007\*

## **Clerks of the Circuit Courts**

### **Cities:**

City of Danville Clerk of the Circuit Court for the period January 01, 2006 through March 31, 2007

City of Hopewell Clerk of the Circuit Court for the period April 1, 2006 through June 30, 2007

City of Newport News Clerk of the Circuit Court for the period April 1, 2006 through June 30, 2007

### **Counties:**

County of Bath Clerk of the Circuit Court for the period October 1, 2005 through June 30, 2007

County of Bedford Clerk of the Circuit Court for the period January 1, 2006 through September 30, 2007

County of Caroline Clerk of the Circuit Court for the period April 01, 2006 through June 30, 2007  
 County of Craig Clerk of the Circuit Court for the period January 1, 2006 through June 30, 2007  
 County of Dickenson Clerk of the Circuit Court for the period July 1, 2006 through June 30, 2007\*  
 County of Grayson Clerk of the Circuit Court for the period April 1, 2006 through June 30, 2007\*  
 County of Floyd Clerk of the Circuit Court for the period January 1, 2006 through September 30, 2007  
 County of New Kent Clerk of the Circuit Court for the period April 1, 2006 through June 30, 2007  
 County of Nelson Clerk of the Circuit Court for the period April 1, 2006 through June 30, 2007  
 County of Prince Edward Clerk of the Circuit Court for the period July, 1, 2006 through June 30, 2007  
 County of Russell Clerk of the Circuit Court for the period January 1, 2006 through September 30, 2007

**Report of the Commonwealth collections and remittances of the Treasurer, Commissioner of the Revenue, and Sheriff for the year ended June 30, 2006**

**Cities:**

Alexandria	Newport News
Bedford	Petersburg
Colonial Heights	Portsmouth
Emporia	Radford*
Fairfax	Salem*
Franklin	Staunton*
Fredericksburg	Suffolk
Hampton	Virginia Beach
Manassas Park	Williamsburg
Martinsville*	Winchester

**Counties:**

Alleghany	King George*	Shenandoah
Amherst	Lancaster	Smyth
Augusta	Lee*	Southampton
Botetourt*	Louisa	Stafford
Caroline	Loudoun	Surry
Clarke*	Madison	Sussex
Culpeper*	Mathews Mecklenburg	Tazewell
Cumberland	Northumberland	Washington
Essex	Orange	Waynesboro*
Fairfax*	Pittsylvania	Westmoreland
Floyd	Powhatan	Wise
Franklin	Prince Edward	York
Frederick*	Prince George	
Grayson*	Prince William	
Goochland	Pulaski	
Greene	Richmond	
Henry	Roanoke	
Isle of Wight	Rockbridge	

\*Denotes management control finding